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# STEAMSHIP LINE AGREEMENTS AND AFFILIATIONS IN THE AMERICAN FOREIGN AND DOMESTIC TRADE

By S. S. Huebner, Ph.D.,

Professor of Insurance and Commerce, University of Pennsylvania, and Expert to the Committee on the Merchant Marine and Fisheries during its Investigation of Shipping Combinations.

The recent investigation of shipping combinations by the Committee on the Merchant Marine and Fisheries of the House of Representatives showed that, as regards nearly every trade route in both the foreign and domestic commerce of the United States, practically all the well-established steamship lines have either been consolidated through stock ownership, or work in harmonious coöperation through written or oral agreements and conference arrangements. Considerably over 100 such agreements and consolidations, affecting the commerce of this country, were found to exist. No attempt will be made to discuss these agreements from the standpoint of their historical development, their advantages and disadvantages, and their administration and enforcement, since these subjects are covered by other articles in this volume. Instead, the purpose is to outline the various agreements, understandings and other affiliations as they existed when the Committee on the Merchant Marine and Fisheries concluded its investigation in 1913, and to present in connection therewith, as far as the limits of an article permit, (1) a brief description of the essential features of existing coöperative arrangements, and (2) a statement of the conclusions which may be drawn from a study of all the agreements and affiliations considered collectively.

## AGREEMENTS AND CONFERENCES IN THE AMERICAN FOREIGN TRADE

In view of the large number of such agreements and conference arrangements—80 being described in the report prepared for the Committee on the Merchant Marine and Fisheries[1]—only a brief de-

[1] *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade*, prepared by S. S. Huebner and published as volume iv of the "Proceedings of the Committee on the Merchant Marine and Fisheries in the Investigation of Shipping Combinations under H. Res., 587." For a full description of the numerous steamship agreements and conference arrange-

scription of the same can be attempted in an article. A comprehensive understanding of the nature of these numerous agreements can be best obtained by considering the same as they exist in the following six geographic divisions of this country's foreign trade. This method has the advantage of showing how universally the numerous groups of regular steamship lines are governed in their respective spheres by coöperative agreements which have for their fundamental purpose the control of (1) competition between the signatory lines, and (2) competition from non-conference lines which may be seeking to share the trade.

*The North Atlantic Trade, Covering all Ports of Europe.*—Practically all the well-established lines connecting north Atlantic ports of the United States with those of the United Kingdom, north Europe and the Mediterranean are parties to numerous freight agreements covering, in one way or another, nearly every sphere of the American-European trade. In fact, over 40 regular trans-Atlantic lines are parties in their respective European trades to at least 20 agreements involving the freight traffic. These agreements may conveniently be classified under four groups, viz., (1) minimum rate agreements in the trade to and from the United Kingdom; (2) agreements governing the trade between German, Dutch, Belgian and French ports and the United States; (3) Baltic pool agreements; and (4) Mediterranean agreements.

As regards the traffic between Canadian and north Atlantic ports of the United States and the four leading ports of the United Kingdom—Liverpool, London, Glasgow and Manchester—all the regular lines, 20 in number, are parties to minimum rate understandings, both westbound and eastbound. Under these agreements minimum class and commodity rates are filed with the understanding that the lines will not take freight during a stipulated period of from thirty to sixty days at less than the agreed minimum. Such minimum

ments in the various spheres of this country's foreign trade the reader is referred to the first eight chapters of this *Report*, dealing respectively with: "Passenger Agreements in the American-European Traffic," pp.21–52; "Freight Agreements in the American-European Trade," pp. 53–90; "Agreements in the American-African Trade," pp. 91–102; "Agreements in the American-Australasian Trade," pp. 103-108; "Agreements in the American-Asiatic Trade," pp. 109–152; "Agreements in the Trade between the United States and South America" pp. 153–188; "Agreements in the American-Mexican and Central American Trade," pp. 189–204; "Agreements in the American-West Indian Trade," pp. 205–238.

rates, however, do not apply to the heavy eastbound bulk traffic, consisting of grain, flour, cotton and similar commodities, but are confined to the high class freight on which the shippers as well as the lines are anxious to have fixed rates equally applicable to all. No penalties are imposed for infractions of the agreements, but it is distinctly understood that the lines are prohibited from assuming the right to change any of the minimum rates until after the thirty or sixty days have expired.

The westbound traffic from German, Dutch, Belgian and French ports to the United States is regulated by a number of agreements. In the first place the Hamburg-American, North German Lloyd, Holland-America and Red Star Lines entered into an agreement (commonly known as the N. D. L. V. Westbound Freight Agreement) as far back as 1894. This agreement comprised the entire traffic of these lines from ports of the north German seacoast, Holland and Belgium to ports of the United States, and had for its purpose the bringing about of a "mutual understanding regarding freight rates to be maintained on a corresponding basis and to preserve to each separate company its share of the total income from the freight traffic." Although modified in its original details, this agreement is observed by the lines at present. The N. D. L. V. also effected agreements (1) with the Compagnie Générale Transatlantique, whereby the port of Havre is reserved to the French line for both freight and passenger business by direct line to and from the United States, this line in turn agreeing not to call at any port between Cronstadt and the French frontier, either for freight or passenger business except with the consent of the N. D. L. V., and (2) with the Austro-Americana, whereby this line agrees not to establish any freight or passenger service between Bordeaux or ports north of Bordeaux and the United States and Canada, the N. D. L. V. lines in turn declaring their intention not to establish lines from the Adriatic to North America.

From Antwerp the only two important lines operating to the United States are the Red Star Line with services to New York, Boston, Philadelphia, and Baltimore and the Leyland Line to New Orleans, both being subsidiaries of the International Mercantile Marine Co. Minor outside lines, it is reported, are able to operate their services only by reason of differential rate arrangements with the other lines. The regular lines operating between Rotterdam and the United States are the Holland-America, Russian East Asiatic and Uranium Lines. While

the last line is in open competition with the others, the first two have effected a traffic agreement whereby the Russian East Asiatic Line declares its intention to operate only to Russian ports, and that if it finds it necessary to call for freight at Rotterdam when other cargo is lacking, it agrees to maintain the rates of the Holland-America Line.

Unlike the practice prevailing among the lines operating to the ports of the United Kingdom, it appears that the continental lines have not entered into conference arrangements for the establishment of minimum rates in the eastbound traffic. Reference should be made, however, to the agreement between the Hamburg-American Line and the North German Lloyd whereby these lines reserve to each other, respectively, the ports of Hamburg and Bremen as regards sailings from all American ports north of Savannah.

All the lines in the trade between north Atlantic ports of the United States and ports on the Baltic—Hamburg-American, North German Lloyd, Wilson and United Steamship Lines—are parties to pooling agreements covering both the eastbound and westbound traffic. In the eastbound trade four separate pooling arrangements exist: one pertaining to flour shipments from Boston, New York, Philadelphia, Baltimore and Newport News to Russian and German ports on the Baltic as well as to ports of Denmark, Norway and Sweden; one to eighteen leading commodities coming under the head of "provisions," from and to the same ports; one to shipments of certain articles classed as "agricultures;" and the last to eighteen other important articles of export, comprising feed-stuffs, heavy grain products, oil cake, etc. In the westbound business the lines also operate under a pooling agreement similar in character to that adopted in the eastbound traffic. All the lines seek to charge the same rates in both directions except where they cannot maintain their allotted percentages, in which case it is expected that they will pursue a policy of forcing the flow of traffic by adjusting rates until the full percentages are secured.

Turning now to a consideration of the traffic to and from Mediterranean ports, we find that practically all the lines on nearly every trade route coöperate under some form of rate or traffic agreement. Reference will be made here only to the most important of these agreements, viz., the one governing the trade to and from Italian ports. With the exception of the Fabre Line, all the regular steamship lines engaging in the carrying trade between Italy and the United States are

parties to agreements covering both the westbound and eastbound traffic. The westbound agreement was entered into by two groups of lines—the six Italian Lines on the one part and the Anchor, Hamburg-American, North German Lloyd and White Star Lines on the other—and assures to each group 50 per cent of the freight cargo loaded at all ports of Italy and Sicily to all ports in the United States and Canada. Rates of freight are definitely prescribed for weight and measurement tonnage, and a deferred rebate of 10 per cent is granted to shippers who agree to support only the lines which are parties to the agreement. This rebate is payable by the secretary of the Mediterranean Conference for a period of six months, and it is expressly provided that no rebates will be due to shippers until at least six months after the period for which they are computed, and that the allowance shall be sacrificed by any shipper who in the meantime shall have supported a competing steamer. In the eastbound trade the lines were reported to the committee as having an understanding as to minimum rates of freight. This understanding is not in writing, but the agents of the lines meet at irregular intervals on the American side to determine rates which, when established, are changed only by common consent.

The limited space at our disposal will permit merely a reference to agreements governing the north Atlantic passenger traffic. Suffice it to say that at the time of the committee's investigation all the prominent passenger lines were parties to agreements governing the north Atlantic passenger traffic to and from British, north continental and Mediterranean ports. Twenty-eight lines, comprising all the large ones, were found to be affiliated in their respective spheres as regards their passenger business through membership in four conferences and by virtue of at least twelve agreements.[2] Considered in their entirety, these agreements reveal a situation in the passenger traffic easily comparable, from the standpoint of the comprehensiveness of the agreements, with that presented in the north Atlantic freight traffic.

*The Asiatic Trade.*—Direct steamship services in this trade, both eastbound and westbound, divide themselves into five groups, viz., (1)

[2] For a detailed account of these agreements and conference arrangements see the chapter on "Passenger Agreements in the American-European Traffic," pp. 21–52 of the *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade.*

the lines operating between the American Atlantic seaboard and the Far East, particularly via the Suez; (2) the lines connecting New York with the ports of India; (3) the lines operating between New York and the Dutch East Indies; (4) the trans-Pacific lines trading to and from the ports of the Far East; and (5) the Calcutta-Pacific traffic via the "Calcutta Lines" between Calcutta and Hongkong for transshipment by the trans-Pacific lines between Hongkong and the American Pacific coast.

Seven direct lines maintain a regular service between the Atlantic ports of the United States and the Far East. Exclusive of the Isthmian Steamship Line (a private carrier operating for the United States Steel Corporation), all of the lines are parties to, or work in conformity with, three agreements. In the eastbound trade the several lines have a definitely prescribed allotment of sailings, the same being distributed as nearly as possible at regular intervals throughout the year, and the order of sailing, being mutually arranged by the agents in New York. Additional sailings are permitted only upon the consent of two-thirds of the signatories, based on their respective number of sailings. Westbound sailings are likewise definitely allotted to the several lines, and should the aggregate number of sailings prove too many or too few for the trade the agreement provides the order in which each line's sailings shall be reduced. The booking of freight, the movement of the steamers, the payment of commissions to agents, and the transmission of communications are also carefully regulated by the agreements.

On the outward voyage from the United States rates are controlled by the agents in New York, and all changes in the tariffs must be approved by unanimous consent of the agents in their New York Conference. Westbound rates, on the other hand, are arranged by the owners in consultation with their agents at eastern ports, these agents in most cases being the principal merchants at the several ports of call. Net freight earnings of all the steamers loaded from Atlantic ports of the United States to the Far East, and vice versa, are pooled under the terms of a separate agreement, and deferred rebates are also allowed in the trade westbound from all the ports of the Far East, amounting to 10 per cent on all rates with the exception of a limited number. It is also noteworthy that in the westbound agreement the signatories bind themselves "to abstain from attacking or competing for any trade in which any other of the signatories may at present be engaged."

Four conferences are maintained for the purpose of administering the provisions of the eastward, westward and pooling agreements, viz., the New York Conference, the Hongkong and Singapore Conferences, and the London Conference. Each conference has its own functions to perform. The New York agents of the lines meet in the New York Conference, and control the making of eastbound rates and tariffs. Similarly, the eastern representatives of the lines, meeting in the Hongkong and Singapore Conferences, have the same jurisdiction over the westbound traffic as that exercised by the New York Conference in regard to the eastbound voyage. The London Conference is composed of the owners of the several lines and not only exercises general supervisory control over the other conferences but determines the schedule of sailings to be adhered to and controls and administers the pooling arrangement.

With respect to the trade between the Atlantic coast of the United States and India, two lines—the Hansa Line of Bremen and the Bucknall Steamship Lines, Ltd., of London—handle the direct traffic, and operate a joint service, both eastbound and westbound, under the name of the American and Indian Line. According to the understanding between the lines the westbound tonnage must be provided equally by the two companies, but in the outward service the two lines, in the order named, furnish the tonnage in the respective proportions of 75 and 25 per cent. Freight rates on the outward voyage are fixed and changed by the agents in India in consultation with the London principals. The earnings of the steamers westbound are pooled and after allowance for certain payments, are equally divided.

To Java the direct service is conducted under a joint arrangement between the Hansa Line and the German-Australian Steamship Co. This arrangement was effected by the Hansa Line with the German-Australian Line because of the latter's European service to Java and the fear that trouble would ensue if an agreement could not be reached. According to the terms of the agreement the sailings are allotted in the following order: six steamers are furnished annually by the Hansa Line, then the other line supplies six in case that many are required, and if more than twelve steamers are needed the excess is furnished by both companies in turn.

Turning now to the trans-Pacific lines operating between the Pacific coast of the United States and Asiatic ports, we find a number of agreements involving practically all the well-established lines. In

the eastbound trade all the lines,[3] except the Dollar Steamship Co. and the "Blue Funnel Line" (which seceded only recently), are members of two conferences, one consisting of the Hongkong and China agents of the lines and called the "Trans-Pacific Tariff Bureau (Hongkong and China Branch)," and the other consisting of the Japanese agents of the lines and called the "Trans-Pacific Tariff Bureau (Japan Branch)." These conferences have jurisdiction over all Chinese and Japanese ports and do not overlap each other; nor is there any agreement, it was testified, between the Trans-Pacific Tariff Bureau in the eastbound trade and the similarly named bureau in the westbound trade, although nearly all the lines are parties to both.

The essential feature of the Japan Branch of the bureau is the deferred rebate system adopted by the lines. The rebate allowances apply to all articles except raw silk, silk goods, cement, lumber and timber, and in some instances amount to 20 per cent of the rate. The Hongkong and China Branch of the bureau has apparently made no arrangement in its tariffs for the granting of deferred rebates to loyal shippers, the chief reason being, it is said, that shipments at Hongkong are made largely by Chinese firms which cannot be watched like exporters from Japan, who are registered and whose shipments can be traced.

In the traffic westbound from Portland, Tacoma, Seattle, Victoria, Vancouver and New Westminster to Asiatic common points, seven lines[4] are operating under a tariff agreement known by the name of the "Trans-Pacific Tariff Bureau (Westbound)." This bureau is not a corporation and has no officers other than the joint agent who issues the tariff. While there is apparently no penalty for failure on the part of any line to abide by the tariff, and while the tariff may be changed whenever any line considers it advantageous to do so, the committee was advised by one of the carriers that the rates charged by the several lines for the same service are usually uniform.

[3] Great Northern S. S. Co., Pacific Mail Steamship Co., Nippon Yusen Kaisha, Toyo Kisen Kaisha, Osaka Shosen Kaisha, Canadian Pacific Ry. Co.'s Royal Mail Steamship Co., the Bank Line, Blue Funnel Line (composed of China Mutual Steam Navigation Co. and Ocean S. S. Co.), and the Dollar Steamship Co.

[4] Canadian Pacific Ry. Co.'s S. S. Lines, Nippon Yusen Kaisha, China Mutual Steam Navigation Co., Ocean Steamship Co., Bank Line, Osaka Shosen Kaisha, and Great Northern S. S. Co.

The membership of this Trans-Pacific Tariff Bureau, it should be noted, is confined to the north Pacific coast lines, and does not include the two lines operating from San Francisco to the Far East, viz., the Pacific Mail Steamship Co., and the Toyo Kisen Kaisha. These two lines, however, have a traffic agreement for the shipment of through cargoes to the Orient and maintain a joint schedule of sailings providing for seven steamers for the Pacific Mail and four steamers for the Toyo Kisen Kaisha. Both companies furnished their tariffs to the committee and, while each company issues its own tariff, the same were found to be identical, and also agreed in all respects with the rates enumerated in the tariff used by the seven lines operating from north Pacific coast ports. There is also an understanding between the Pacific Mail and the north Pacific coast lines as to a territorial division with respect to the Asiatic passenger traffic, whereby the first company agrees not to solicit business from points north of the California and Oregon state line and the northern lines agree not to solicit business south of that boundary.

Lastly, reference should be made to the so-called "Calcutta-Pacific Conference," which has been in existence in one form or another for about 20 years and which governs the traffic from Calcutta to Hongkong for transshipment to the United States. The agreement underlying this conference was entered into by the north Pacific coast Lines (already enumerated), the Pacific Mail Steamship Co., and the Toyo Kisen Kaisha on the one part, and the Indo-China Steam Navigation Co., and the Apcar Line (known as the "Calcutta Lines") of the other. The signatories agree to adopt a definite scale of rates, and the freight money received on merchandise coming within the scope of the agreement is distributed, after certain expenses of transshipment have been deducted, on the basis of one-third to the Calcutta Lines and two-thirds to the trans-Pacific lines. The agreement also provides for the payment of deferred rebates on shipments of gunnies and jute, the payments being made at Calcutta only by the agents of the Calcutta Lines.

*The African Trade.*—All the steamship lines engaged in the direct trade from the United States to ports of South and East Africa—the American and African Steamship Line (operated jointly by the Bucknall Steamship Lines Ltd. and the Union Castle Mail Steamship Co.), the Union Castle Mail Steamship Co., the Union Clan Line, the Hansa Line of Bremen, the Houston Line and the Prince Line—oper-

ate under the terms of an oral pooling arrangement. Steamers are furnished by each line in turn as the trade may require, and two-sevenths of the necessary tonnage is furnished by the Union Castle Mail Line and one-seventh by each of the other five lines. Freight money is pooled and the rates for the lines are determined in London, being sent to New York and put into effect by the agents there. The agreement, however, applies only to the outward voyage, and it is every line's own problem to get the steamers, or substitutes therefor, back to New York, especially since there is practically no return cargo to the United States. Representatives of the lines testified that it is the understanding between the lines that rates from the United States shall be maintained as nearly as possible on the same level as those charged from British and continental ports. Two conferences exist in the trade, viz., the London Conference, consisting of the principals of the lines, which controls the order of sailings and issues all rates; and the New York Committee, consisting of the agents at that port, who meet weekly to consider the position of the steamers, to report contracts with shippers and to put into effect such instructions as may have been received from London.

No regular line service was operated between the United States and the west coast of Africa until 1911. In that year three German lines combined for the purpose of operating a regular service in this trade. Since the trade in its initial stages was bound to be unprofitable, these lines felt that it was undesirable to develop it at heavy expense and later have the English lines possibly share it without the consent of those who did the pioneering. Consequently the German lines invited the English lines which would likely have been their future competitors in the business to become parties to an agreement. This agreement was entered into by the three German lines on the one part and four English lines on the other, and was made for a period of seven years, thereafter to be continued subject to six months' notice on the part of each group of lines. If either group starts a new service from any other American port than New York to the west coast of Africa, or vice versa, such group must invite the other group to participate in the undertaking on the basis of the existing agreement. Freight and passenger rates are fixed by mutual agreement and are binding until changed, and the agreement expressly states that freight rates from New York, either direct or via England or Germany, shall be at the ordinary tariff rates from England and Germany to the west coast

of Africa. Sailings are so arranged that a British and German steamship shall leave alternately. Moreover, the freight and passenger business of the lines is pooled in such a manner that, after giving the carrying steamer 25 per cent thereof, the balance is divided equally between the two groups of lines.

Shipments from the United States to the north coast of Africa are very limited, and reach their destination only by transshipment at the ports of London, Liverpool, Havre, Hamburg, Naples, Genoa, Cadiz and Barcelona. Return freight to the United States is also handled by transshipment at these ports. Nearly all of the twelve lines engaged in the trade from New York advised the committee that their shipments are very few and that they have no fixed schedule of rates.

*The Australian Trade.*—Three lines handle the direct traffic from the Atlantic seaboard of the United States to ports in Australia and New Zealand, viz., the American and Australian Steamship Line (owned and controlled by Messrs. Bucknall Bros. and several other English interests), the United Tyser Line (a combination of the Tyser Line with the Hansa and German Australian Cos.) and the United States and Australasia Steamship Co. (an American corporation). An oral pooling agreement governs the operations of these lines. According to the arrangement steamers of the several lines, as far as practicable, are loaded in turn and the total required tonnage is furnished by the several lines (in the order above named) in the respective proportions of 42½ per cent, 35 per cent and 22½ per cent. Profits and losses are pooled and divided on the basis of the same percentages. Rates are established by agreement, can be changed only by unanimous consent, and are made with reference to the fluctuations in European rates to Australia and New Zealand. The New York representatives of the lines meet in conference at the different offices of the companies at irregular intervals and determine the rates, arrange the order of sailings, and settle all other matters which vitally affect the interests of the lines in the trade. All the lines reported that their service is an outward one only, and that they do not carry return cargo directly to New York.

The White Star Line, operating via Liverpool, is the principal carrier of indirect shipments from the United States to Australia. This line according to reports submitted to the committee, has an oral understanding with the three direct lines operating from New York

whereby its measurement cargo from New York via Liverpool for Australia shall not exceed one-fourth of the aggregate measurement cargo taken by all four lines. The line, however, is not a party to any pooling arrangement with the other three lines, and can quote its own rates.

The import trade from Australia and New Zealand to American Pacific coast ports is controlled by the Oceanic Steamship Co. and the Union Steamship Co. of New Zealand. The cargo consists of a very limited variety of articles and the current rates reported to the committee were the same for the two lines. The consul general at Sidney reported that "the steamship lines engaged in the carriage of freight from Australia to the United States are practically all working on a system of agreements to prevent rate cutting."

*The South American Trade, including the West Coast of Central America and Mexico.*—Regular steamship line services between the United States and South America, both southbound and northbound, may be classified under eight groups as follows:

(1) Between New York and Venezuela and Curacao.

(2) Between New York and the Caribbean ports of Colombia.

(3) Between New York and the Amazon district.

(4) Between New York and central and southern Brazilian ports.

(5) Between New York and the River Plate.

(6) Between New York and New Orleans and the west coast of South America via Panama.

(7) Between the Atlantic seaboard of the United States and the west coast of South America via the Straits of Magellan.

(8) Between the Pacific ports of the United States and the west coast of South America.

With the exception of the last two groups, nearly all the lines in each of the above mentioned trade routes were, at the time of the committee's investigation, operating under agreements or tacit understandings for the maintenance of rates. While the lines comprising the last two groups have apparently not entered into arrangements with each other, they appear to be operating on friendly terms and avoid rate-cutting practices. Thus of the three lines controlling the traffic from New York to the west coast of South America via the Straits of Magellan,—viz., the Merchants Line, the West Coast Line, and the New York and South America Line—the Merchants' Line is the

dominant carrier in the trade, its sailings sometimes exceeding the combined sailings of the other lines. It determines the tariff of rates, and the West Coast Line, the next most important carrier, adopts these rates in full or follows them as closely as possible.

Between New York and Venezuela the Red "D" Line (The Atlantic and Caribbean Steam Navigation Co.) is the principal carrier, and has as its only competitor the Royal Dutch West India Mail Line. These two lines are operating under an arrangement whereby it is understood that if the Royal Mail Line does not charge less than 90 per cent of the rates of the Red "D" Line between New York and La Guayra and Puerto Cabello, the latter line will not resent its rates to and from Curacao being cut to an extent that will enable the Royal Mail Line to secure about one-half of the total freight carried between the ports. This rate differential is permitted by the dominant carrier because the Royal Mail Line's steamers, since they call at intermediate ports, are a longer time on the voyage.

In the trade between New York and Colombian ports on the Caribbean Sea the Royal Mail Steam Packet Co., the Hamburg-American Line (Atlas service) and the United Fruit Co. are the only regular lines. All three coöperate in both the freight and passenger business. The first two lines have entered into written pooling and rate agreements, while the United Fruit Co. has, from the beginning of its operation in the trade, seen fit to charge the same rates and to work under the same conditions as the other lines, without, however, participating in the pooling arrangement and without having actually entered into any written or verbal agreement. Moreover, while it is tacitly understood that the United Fruit Co. will observe the same rates and conditions as the other lines (with the exception of the pooling arrangement), there is no obligation whatsoever on the part of the line to do so. The agreements between the first two lines, it should be noted, not only apply to the Colombian traffic but to the entire Central American and West Indian traffic of the lines. Besides pooling the business, deferred rebates are allowed on both the outward and homeward voyages, and the committee was advised by letter that the deferred rebate agreement is not violated when shipments are made via the United Fruit Co.

Turning next to the Brazilian trade, we find that the traffic between New York and the Amazon district is controlled exclusively by the Booth Line. Various witnesses testified that there is a tacit understanding between this line and the conference lines operating

to South Brazilian ports—the joint service of the Hamburg-American Line and Hamburg-South American Steamship Co., the Lamport & Holt Line, and the Prince Line—whereby each will respect the other's territory.

The three Brazilian conference lines just mentioned operate under a written agreement which governs the trade with the United States both northbound and southbound. The same lines also operate between Brazil and European ports, and together with the North German Lloyd and the Royal Mail Steam Packet Co. (which recently absorbed the Lamport & Holt Line) are working under an agreement which regulates the trade from Brazilian ports "to or via the ports of Antwerp, Rotterdam, Amsterdam, the Rivers Weser and Elbe, and to ports in the United States." By the terms of the agreement pertaining strictly to the American traffic the total sailings per annum are divided among the lines as regards both New York and New Orleans. Rates in the southbound traffic must be strictly adhered to and all modifications must be by agreement. In the northbound trade the American agreement provides for the establishment of deferred rebates on the same scale as those in force for Europe "under which all shippers will be required to confine their shipments *either to the United States* or to Antwerp, Rotterdam, Amsterdam, Hamburg and Bremen, to the steamers of the parties to this agreement or to other lines which may be in conference with the Hamburg Lines in their Brazil-Europe service." The experience of the Pan-American Mail Line and the Lloyd Brazileiro shows this deferred rebate system to constitute an almost insuperable obstacle to the successful entrance into the trade of any independent regular line which does not possess powerful financial backing or the good will of the conference lines. The first of these independent lines failed after its first trip, largely because of its inability to obtain return cargo, while the last line has also failed to obtain a fair proportion of the existing cargo on the northward run. In this connection, as stated in the report to the committee:[5]

It should be borne in mind that nearly every shipper of any importance in Brazil has connections in Europe as well as in the United States, the European interests in many instances being the most important. For this reason neither the Pan-American Mail Line nor the Lloyd Brazileiro could relieve the shippers

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[5] *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade*, pp. 164, 165.

from their dependence on the conference lines (which control both the American and European service) by guaranteeing to carry all their cargoes, unless they also establish a European service. But even assuming that the independent line would undertake to establish a European service, it would still be greatly handicapped (1) by the difficulty of a single line giving its patrons sufficiently frequent and regular sailings as compared with the large conference lines which alternate their sailings to meet the requirements of the trade, and thus coöperatively accomplish in the way of frequency and regularity of service what no ordinary single line can hope to do; and (2) by the inducements afforded to shippers to remain loyal to the old established lines by the 10 per cent deferred rebate system prevailing in both the American and European trades.

In the southbound trade from New York to the River Plate an oral understanding has existed since the beginning of 1912 between the Lamport and Holt, Houston, Prince, Barber and American and Rio Plata Lines for the fixing and maintenance of rates; and these lines also seem, judging from the testimony, to have a tacit understanding with the Brazilian conference lines to respect each other's territory. At their weekly conference meetings freight rates are determined by the aforementioned five River Plate lines, but the freight money is not pooled and belongs to each line as earned. Nor is there any limitation upon the number or size of the steamers that may be placed in the trade by any line, or upon the time when steamers may be dispatched. The Norton Line, another carrier in the trade, was a member of the conference until its recent voluntary withdrawal. But while this line has now no understanding with the conference lines, and does not participate in the conference meetings, the conference lines keep it posted as to rates. The testimony of witnesses shows that the Norton Line has maintained the rates of the other lines and that its relations with the five conference lines are as cordial as they were when it held membership in the conference.

In the northbound trade from the River Plate, the Barber, Lamport and Holt and Houston Lines operate under an agreement which contains a deferred rebate feature. Rates are made in common and shippers are allowed a 5 per cent rebate if they confine their shipments to the combination lines for a period of six months. This rebate allowance applies on all articles except cereals and linseed which constitute a large proportion of the traffic from the River Plate to the United States.

All the lines in the traffic from the Atlantic seaboard of the United States to the west coast of South America, via Panama are

working under a tacit rate understanding. The lines engaged in this trade are (1) the Royal Mail Steam Packet Co., the Hamburg-American Line (Atlas service), the United Fruit Co., and the Panama Railroad Steamship Co. from New York via Panama; (2) the United Fruit Co. from New Orleans via Panama; and (3) the Munson Line with sailings from Baltimore to Colon and occasional sailings from New York. According to the statement of the United Fruit Co. there is a verbal understanding between it and the other lines to the effect that it will discuss with them proposed changes in rates before the same become effective, with a view to maintaining stability in rates and keeping each line advised in advance of any proposed changes by the others. While all the lines have adopted the Panama Railroad Co.'s tariff, the United Fruit Co. emphasized the fact that: "there is no agreement to maintain any rate established by the others," and "each company makes and publishes its own rates and is free to adhere to these rates or not, as it sees fit." It should also be noted that the United Fruit Co. observes the same rates in its New Orleans to Colon service as are charged by the New York lines, and that there is a tacit understanding between the lines that the rates from New Orleans shall be the same as from New York. The Munson Line also reported to the committee that it "has a verbal understanding with the lines running out of New York to Colon, by which it confines its Colon sailings from north of Hatteras ports to the port of Baltimore, and that while there is no agreement as to making or maintaining rates of freight, the line tries to secure, as nearly as possible, out of Baltimore the same rates as are secured out of New York."

Much the same situation prevails in the northbound traffic from the west coast of South America to the Atlantic seaboard of the United States via Panama. Close business relations exist between the three lines operating from the west coast of South America to Panama, and all of the four lines on the Atlantic side of the Isthmus are said to receive the same proportion of the through rate, which the committee was advised is approximately 30 per cent.

With reference to the traffic between Pacific coast ports of the United States and the west coast of Central America and Mexico the Pacific Mail Steamship Co. is by far the most important, and is said to have no traffic or rate agreement with any of the other lines in the trade. But while the existence of any agreements or

understandings between the lines has been denied by the steamship interests involved, the freight tariffs of the several lines, as well as the statements made to the committee by American consular representatives and certain important importing firms at San Francisco, indicate that the Pacific Mail is the dominant power in the trade and that the other lines adopt its rates and refrain from antagonizing its interests. In the traffic between New York and the west coast of Central America and Mexico it appears that all the lines tranship their New York cargo at the Isthmus of Panama by the Pacific Mail for distribution to Central American and Mexican ports on the Pacific. The Atlantic lines are the same as those previously discussed, and the business is controlled by the same rate understanding which governs their operations in the trade between New York and the west coast of South America.

*The Caribbean Trade, Covering the West Indies, Central America and Mexico.*—The agreements between the Hamburg-American Line and the Royal Mail Steam Packet Co., and the understanding between these lines and the United Fruit Co. (which were referred to in connection with the trade between New York and the Caribbean ports of Colombia) also govern these lines in their trade between New York and Jamaica and Central America. It need only be stated that with reference to Jamaica the Hamburg-American and Royal Mail Lines, besides agreeing upon freight rates, allow a deferred rebate of 10 per cent on shipments from New York to Kingston, Jamaica. This deferred rebate allowance, however, does not apply on shipments from New York to Jamaican out-ports or on shipments from Jamaica to New York. The committee was advised by a prominent shipping firm that it received the same rebate allowance of 10 per cent from the United Fruit Co. on shipments from New York to Kingston.

The relations between the lines operating on the numerous other routes within this group may be briefly summarized as follows for the principal trades:

(1) In the trade between New York and north Cuban ports (with the exception of Havana) the New York and Cuba Mail Steamship Co. had until recently an understanding with the Compañia Maritima Cubana for a territorial division of destination ports. The latter line appears to serve exclusively the north Cuban ports, with the exception of Nipe Bay which is also served by the Royal

Mail Steam Packet Co. These two lines, however, operate on friendly terms, Mr. C. V. Kellogg of the Munson Line (this line being the general agent of the Compañia Maritima Cubana) having testified that the Royal Mail "goes so far as to ask us whether our rates are being maintained in some cases where shippers have claimed that they have had lower rates. They lead us to infer by these questions that they are maintaining our rates, and our reply lets them know whether we are maintaining the rates."

Until September, 1911, the Atlas Service of the Hamburg-American Line conducted a service for about one year to Havana, and at the time, according to the testimony of its freight traffic manager, "had a tacit but unwritten understanding as to freight rates with the New York and Cuba Mail Line." The New York and Cuba Mail is also a member of the Gulf Foreign Freight Committee, consisting of the five lines operating from Key West, Mobile, New Orleans and Galveston to Cuban ports, and vice versa. According to its report the line attends the meetings of this committee very infrequently, and its only reason for belonging to the same is to obtain information as to the freight rates from the Mississippi Valley to the seaboard, and from the Gulf to Cuban ports, in order to enable it to meet their competition.

With the exception of the American and Cuban Steamship Line (with sailings to Cuban ports other than Havana only about every three weeks) the New York and Cuba Mail and the Hamburg-American's Atlas Service are the only lines connecting New York with south Cuban ports. While no understanding exists between the lines the freight traffic manager of the Atlas Service testified that "the two lines aim not to underquote each other, and if the New York and Cuba Mail fixes a rate on a certain commodity they will probably tell us of it, or we will learn of it in the market, and will adjust our rates accordingly." The eventual result of this adjustment, he further explained, is that the lines have the same rates between New York and Santiago, both southbound and northbound, although there may be an occasional underquoting of rates because one line may not have knowledge of what the other is doing.

(2) Three lines control the trade between the United States and Haiti, viz., the Atlas Service of the Hamburg-American Line and the Royal Dutch West India Mail Line from New York, and the Seeberg Line from Mobile, the last being the only line from a

southern port. The Clyde Line, on the other hand, is the only line serving the ports of Santo Domingo. Until the close of 1912 the two lines connecting Haiti with New York were parties to a pooling agreement which had for its purpose the division of ports in Haiti between the lines, the fixing and maintenance of freight and passenger rates, and the pooling of a certain proportion of the earnings. Although discontinued on December 21, 1912, both lines continued to observe the same rates and conditions in the freight traffic. The Hamburg-American Line also has an agreement with the Royal Mail Steam Packet Co. whereby the latter agrees not to extend its service to Haitian ports as far as sailings to and from New York are concerned.

(3) Four lines—Royal Dutch West India Mail Line, Royal Mail Steam Packet Co., Lamport and Holt Line, and Trinidad Shipping and Trading Co.—maintain a regular service between New York and Trinidad. In the northbound trade these lines operate under an agreement which has for its purpose the maintenance of rates and the allowance of a deferred rebate of 10 per cent on cocoa, the principal item of export to New York. Southbound, the lines also operate under a joint freight tariff. The Hamburg-American Line, in its pooling agreement with the Royal Mail Steam Packet Co., also obligated itself "not to call at Trinidad and Grenada from and to New York, excepting with its cruising steamers."

(4) Three lines serve the New York-Bermuda trade, viz., the Quebec Steamship Line, the Royal Mail Steam Packet Co. and the Bermuda Atlantic Steamship Co. The first two lines are parties to an arrangement for the payment of a sliding scale of rebates on shipments from New York.

(5) Seven lines connected Atlantic coast ports of the United States with eastern Mexican ports at the time of the committee's investigation. All the lines reported that they were not parties to any agreement or understanding with any other navigation company. In only a few instances, however, does more than one of these lines operate over a given route, and where the contrary exists no evidence of anything like a rate war was found.

(6) As regards the Atlantic ports of British Honduras, Guatemala and Nicaragua, the United Fruit Co. is by far the dominant carrier, and its competitors are so unimportant, according to the admission of this company's officials, as not to be a factor of

any importance in the trade. Until recently, it may be added, the United Fruit Co. had a controlling interest in nearly all of these competitors, but for one reason or another saw fit to dispose of its stockholdings therein.

## EXTENT AND METHODS OF CONTROL OF COMPETITION BETWEEN CARRIERS BY WATER IN THE DOMESTIC TRADE

Considering all the steamship lines operating on the Great Lakes and on the Atlantic, Gulf and Pacific coasts, the following totals appear for the year 1913: The lines number 66; the line steamers engaging strictly in the domestic trade, 477; and the gross tonnage of these steamers, 1,180,897 tons. Of these totals, 19 railroads control over 44 per cent of the steamers and nearly 50 per cent of the gross tonnage; and 11 lines, operating 25.5 per cent of the total number of steamers and 23.6 per cent of the total gross tonnage, belong to shipping consolidations. In all, railroads and shipping combinations own 30 lines which control and operate 330 steamers of 868,741 gross tons, or nearly 70 per cent of the total number of steamers for the 66 regular lines and 74 per cent of the total tonnage.

Nearly all of the remaining 36 lines are relatively unimportant and in nearly all instances either have their routes entirely to themselves, or, where this is not the case, charge the same rates as the other lines. The few lines which were found during the investigation to be cutting the regularly established rates were in most instances leading a precarious existence because of the difficulty they experienced in securing freight on advantageous terms by reason of the almost unsurmountable difficulties[6] placed in their way by the old and well-established lines. The extent to which open competition has been eliminated in the following important divisions of this country's domestic commerce by water will now be briefly summarized.

*The Atlantic and Gulf coasts.*[7]—Practically all the large regular steamship lines in this trade are either controlled by railroads or are subsidiaries of one of two large shipping consolidations—the

[6] For an enumeration of the methods used in controlling competition in the domestic traffic see Appendix II of this volume.

[7] For a detailed discussion see chap. 13 on "Steamship Company Affiliations on the Atlantic and Gulf Coasts," pp. 369–401 of the *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade.*

Eastern Steamship Corporation and the Atlantic, Gulf and West Indies Steamship Lines. The steamers of these railroad-owned lines, when combined with those of the two consolidations, represent 93.9 per cent of the total gross tonnage of all the steamers operated by the 28 lines (exclusive of some very small and purely local lines) which handle practically all of the line traffic along the entire Atlantic and Gulf coasts. Moreover, as pointed out in the report prepared for the Committee on the Merchant Marine and Fisheries[8]:

> Not only do the railroads and the two shipping consolidations dominate over nine-tenths of the tonnage, but it is significant that very few of the principal routes on our entire Atlantic and Gulf coasts are served by more than one regular steamship line. . . . . Thus, with the exception of Portland, Boston has but one direct service to any leading Atlantic coast port, and all other lines connecting it with other coastwise ports are either under railroad control or are subsidiaries of the two shipping consolidations. Practically the same is true of New York, there being only one regular water line operating between this important center and the following ports: Portland, Boston, Philadelphia, Baltimore, Norfolk, Wilmington, Charleston, Savannah, Jacksonville and New Orleans. Galveston is the only important Gulf port which has two services from New York—the Morgan and Mallory Lines—but these work in absolute harmony.

The lines of the New York, New Haven and Hartford R. R. Co., together with those of the Eastern Steamship Corporation, represented (in 1913) 77 per cent of the total number of steamers and over 88 per cent of the gross tonnage of the lines engaged in the strictly New England coastwise trade, including the port of New York. Not only did the New England Navigation Company (owned by the N. Y., N. H. & H. R. R. Co.) own over 25 per cent of the common and 50 per cent of the preferred stock of the Eastern Steamship Corporation in that year but the two consolidations are on friendly terms with each other. In no case do the routes of the many lines of the N. Y., N. H. & H. R. R. Co. conflict with the nine routes of the Eastern Steamship Corporation, and according to the testimony of the president of the latter, there is no competition between the two interests.

In the middle and south Atlantic coast trade practically all the large regular lines are either controlled by railroads or have been acquired by the Atlantic, Gulf and West Indies Steamship

[8] *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade*, p. 369.

Lines (commonly known as the "Agwi"). At the beginning of 1913 eleven lines, representing a total tonnage of over 232,385 gross tons, connected the leading ports of this division of our coastwise trade. Of these lines the railroads controlled five, representing 67 per cent of the total tonnage, and the "Agwi" two, representing 26.4 per cent of the tonnage. Moreover, of the twenty-seven leading routes in this trade—involving the ports of Boston, Providence, New York, Philadelphia, Baltimore, Norfolk, Wilmington, Georgetown, Charleston, Savannah and Jacksonville—only three were served directly by more than one steamship line. Outside of the railroad and "Agwi" groups only four independent lines, with a combined total of only 13 steamers of 14,520 gross tons, operate in the entire middle and south Atlantic coastwise trade. But of these four lines three are the only ones directly connecting the ports they serve, while the other line has recently been obliged to pass through a receivership. Three of these independent lines also reported to the committee that they were operating under great disadvantages since certain railroads refused to pro-rate with them, on equal terms with other lines, as regards traffic moving via their ports of call.

Turning now to the regular line services connecting ports on the Atlantic coast with those on the Gulf coast we find that there were six in 1913, viz., the Morgan, Mallory, Southern, Texas City, Seaboard and Gulf, and Philadelphia and Gulf Steamship Companies. The Mallory, Texas City, and Southern Companies, however, are subsidiaries of the "Agwi," and in turn, are working in perfect harmony with the Morgan line. All charge the same rates in competitive territory. The Mallory Line reported to the committee that "it has no agreement with the other companies as to the maintenance or change of rates, but keeps itself advised of the rates made by the other lines engaged in similar services and interchanges information and views with them as to rates." The Texas City Line likewise reported that it "interchanges information as regards rates with the Morgan and Mallory Lines."

With the Atlantic, Gulf and West Indies Steamship Lines and the Morgan Line closely affiliated, there were at the beginning of 1913 only two small independent lines—the Philadelphia and Gulf Steamship Co. and the Seaboard and Gulf Steamship Co., together representing only 4.4 per cent of the total line tonnage engaged in the trade—operating between the Atlantic and Gulf coasts. These

two lines were meeting the most determined opposition from some of the other lines, and the various methods used to eliminate them serve to show how difficult it is for an independent line of moderate means to fight its way by rate cutting into a trade which is controlled by a combination of strong, well-established, and closely affiliated lines. Not only did the combination lines, according to the testimony given before the committee, oppose the Philadelphia and Gulf Steamship Co. by discouraging the flotation of stock among its subscribers and by making it difficult to purchase, build or charter steamers, but other effective methods were used such as (1) the employment of fighting ships; (2) the engaging of persons in the employ of the independent line to furnish copies of its manifests, which revealed the names of shippers and consignees, the character and value of freight handled and the rates received, thus enabling the opposing line to follow up the business and induce shippers to cease patronizing the independent carrier; (3) the bringing of influence to bear on marine insurance companies to grant the independent carrier less favorable rates than those given to its large and well-established competitors, the independent line being obliged to equalize the extra cost of insurance in its rates to shippers; (4) the granting of rebates to shippers who agreed to ship their entire product by a given line; and (5) the refusal of membership to the independent line (unanimous consent being necessary) in various tariff committees, thus placing the line at the disadvantage of publishing tariffs at its own expense and of not being able to obtain the same through rates that were enjoyed by the other lines.

*The Great Lakes.*[9]—On this leading highway of American commerce all the through lines from the western gateways, such as Chicago and Duluth, to the eastern seaports via Buffalo—six in number—are owned by the trunk line railroads connecting the East and the central West. Having become masters of the through water-borne package freight business, the railroads found it to their interest not only to divert much of this traffic to their rail lines, but to prevent independent water lines from securing an important foothold. In their efforts to prevent competition by independent lines the railroads were greatly favored by the fact that most of the

[9] For a detailed account see chapter 11, on "Steamship Company Affiliations on the Great Lakes," pp. 317–346 of the *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade.*

general merchandise traffic moving by water originates on the rail lines at some distance from the terminals of the water carriers. As a result the railroads could to a great degree control the movement of this freight, and as Mr. Julius Barnes of Duluth testified: "So long as this class of freight originates on the railroads and is controlled by them, it is in their power to say to whom they will give it, and they will not share it with any individual carrier that might offer." As a further obstacle to the operation of independent lines, the railroads have pursued the practice of charging more for the local haul from Buffalo to seaboard points on certain commodities that are taken to Buffalo by boat than the proportionate share of the all-rail haul from Chicago to the seaboard, thus making the through rail-water route unprofitable as regards an independent line, as compared with the all-rail route, i.e., the local rate for the eastern rail haul was made so high as to leave little to the independent water carrier for its local lake haul.

Assuming that independent lines could overcome the aforementioned obstacles, they would next find that the railroads have secured nearly all the water frontage at Buffalo available for dock purposes. The railroads could also refuse to give them the benefit of their dock facilities both for the discharging and receiving of cargo, thus compelling them to load and unload at some other dock and team the goods to or from the railroad station. At the same time the railroads have secured effective control of the Erie Canal through the acquisition or control of the important canal boat lines and forwarding agencies, the refusal to exchange freight with independent canal lines or forwarders, and the acquisition of the terminal facilities at both ends of the canal route.

Exclusive of the railroad-owned lines and all ferry and strictly passenger lines, seventeen other freight lines operate on the Great Lakes. But most of these lines are comparatively small; none engages in the through traffic from western terminal centers to Buffalo; and their combined gross tonnage is only 100,557 gross tons as compared with 180,007 tons for the six railroad-owned lines. Seven of these lines reported that they encounter no direct competition from other lines. A comparison of the rates charged by all the lake lines, both railroad-owned and otherwise, was made from the current printed or typewritten port-to-port rates as furnished to the committee. This comparison was made for 147 routes (i.e., a route between two cities) with the following results:

As regards 102 routes only one line served the trade; in 21 cases two or more lines operated on the same route and used the same rates; in 3 cases two or more lines operated over the same route and had common rates on certain classes of freight and dissimilar rates on others; in 6 cases the two or more lines operating on the route charged different rates; while in 15 cases where two or more lines served the same ports the current rates charged were not furnished to the committee.[10]

A striking tendency towards a consolidation of the numerous bulk carriers engaged in the grain, ore and coal traffic on the Great Lakes was also found to exist. In the first place eight leading consolidations of such carriers were found to represent a total of 274 vessels with a total tonnage of 1,233,868 gross tons, or nearly 46 per cent of the total American Great Lakes tonnage not engaged in line traffic. An examination of the personnel of the managements and the charter relations further served to indicate that these eight consolidations of bulk carriers are themselves closely interrelated. A further comparison of the officials, leading stockholders, and charter relations of other American bulk carrying companies on the Great Lakes showed that the aforementioned eight leading consolidations were so closely inter-related with 29 other groups of lesser importance as to warrant the conclusion that the entire list of 37 groups, comprising 105 companies, firms and managements represents a vast community of interest, which, if found necessary, could easily be dominated by the leading interests therein as regards rates and business policy.

The significance of this community of interest becomes apparent when viewed from the standpoint of the tonnage controlled by the 37 groups of carriers. Thus, the total tonnage on the Great Lakes for 1912, as reported in the *Great Lakes Register*, amounted to 2,939,933 gross tons. Of this total the tonnage of the regular lake steamship lines comprised 299,668 gross tons, leaving a total of 2,640,265 tons for all other vessels. Of this total the 37 interrelated groups of bulk carriers represented 2,001,529 gross tons, or over three-fourths of the total. Approximately 300,502 gross tons of the total of 2,640,265 tons, however, consist of vessels which do not engage in the bulk-carrying business, such as ferries, tugs, wrecking boats, fishing craft, carriers engaged strictly in the lumber,

[10] *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade*, p. 335.

oil and passenger business, etc. If this last amount, together with the 299,668 gross tons of the line vessels, be deducted from the total American Great Lakes tonnage of 2,939,933, it appears that the 37 affiliated groups of bulk carriers control approximately 85 per cent of the total American Great Lakes tonnage. Their importance is also indicated by the fact that they represent over 69 per cent of American vessels on the lakes with a gross tonnage of 1000 or over; 81 per cent of the vessels whose tonnage exceeds 2000; and over 94 per cent of those exceeding 3000 tons.

*The Pacific Coast, Alaska and Hawaii.*[11]—Although independent lines make a more prominent showing in this trade than on either the Atlantic coast or the Great Lakes, railroad-owned lines and shipping consolidations nevertheless represent a large proportion of the total line tonnage. Fifteen lines, representing 106 steamers of 350,512 gross tons, operate in this trade. Three of these lines are railroad-owned and four belong to shipping consolidations. Their combined tonnage amounts to nearly 50 per cent of the total for the trade.

Eight regular lines connect the leading ports on the Pacific coast proper. With the exception of the Alaska Pacific Steamship Co. and the Pacific Navigation Co., which have an agreement for the routing of traffic via each other's steamers, all of these lines reported to the effect that they were not a party to any agreements or understandings with other lines or members of any associations or conferences which have for their purpose the division of traffic or the fixing and maintenance of rates. A comparison, however, of the current port-to-port rates of the lines, as furnished to the committee, showed them to be alike. But much evidence was presented to the committee to show that rate conditions in this trade are more unsettled than in any other division of our coastwise commerce. The lines frequently find it necessary to cut rates in order to meet competition from the more or less regular sailings of various carriers which, in their operations between San Francisco and Puget Sound, find it necessary to obtain ballast freight at greatly reduced rates.

[11] For a detailed discussion see chapter 12, on "Steamship Company Affiliations on the Pacific Coast" in the *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade*, pp. 347–368.

All lines connecting the Pacific coast proper with Alaska operate from Seattle or Tacoma, all Alaskan freight destined to, or arriving from, ports farther south being transhipped at these points. In all eight lines—the Alaska, Western Alaska, Pacific Coast, Alaska Coast, Humboldt, and Northland Steamship Cos. and the Northern Navigation Co. and Merchants Yukon Line—operate in the Alaska trade. With the exception of the Alaska Coast Co., the Northland Steamship Co. and the Humboldt Steamship Co., the last two operating only one small steamer each on the Southeastern Alaska Route, all of the above-mentioned lines are affiliated through stock ownership or traffic agreements. The Pacific Coast Co. (owning the Pacific Coast Steamship Co.) and the Alaska Steamship Co., the two dominant carriers in the trade, each owns one-half of the stock of the Juneau Steamship Co. and also has an equal interest in two-thirds of the capital stock of the Western Alaska Steamship Co. These carriers also have, or until recently have had, traffic agreements with the two dominant carriers on the Yukon River route, viz., the Northern Navigation Co. and the Merchants' Yukon Line. The Alaska Coast Co., operating four vessels, reported that it was not affiliated with any other carrier in the trade. A comparison of its rates to and from Seattle and Tacoma with those of the Alaska Steamship and Pacific Coast Steamship Cos. shows them to be the same for a considerable number of the Alaska ports, while for the remaining ports the rates are the same on about one-half of the articles enumerated.

In the Hawaiian trade three lines—the Pacific Mail Steamship Co., the Matson Navigation Co. and the Oceanic Steamship Co.—operate only to and from San Francisco, and one—the American-Hawaiian Steamship Co.—extends its service to New York. The latter line has no service between San Francisco and Hawaii in either direction. Its steamers carrying westbound cargo destined for Hawaii operate northward to Puget Sound, and, after loading additional cargo, proceed to Honolulu, while the return voyage from Hawaii to New York is direct via Salina Cruz, Mexico. Of the first three lines the Matson Line confines its operations to the Hawaiian trade, the Pacific Mail makes Honolulu a port of call in its service to and from the Orient, while the Oceanic Steamship Co. conducts a local service between San Francisco and Honolulu and another from San Francisco via Honolulu to Australia. The published rates of these

lines are the same both eastbound and westbound. The Matson Line is by far the dominant carrier in the trade and is closely affiliated, by agreement and by leading stockholders in common, with the Inter-Island Steam Navigation Co., which has practically a monopoly of the Inter-Island Trade of Hawaii. Mr. A. B. Spreckles, Vice-President, Manager and Director of the Oceanic Steamship Co., is also one of the ten largest individual stockholders in the Matson Co. and Mr. W. D. K. Gibson, another director of the Oceanic Steamship Co. is also a director and one of the ten largest individual stockholders in the Matson Co.

*Intercoastal Trade between the Atlantic and Pacific Seaboards.*[12] —Exclusive of the comparatively unimportant route via the Straits of Magellan, three leading water routes connect the Atlantic and Pacific seaboards of the United States, viz., the Tehuantepec route, the Panama route, and the so-called "Sunset-Gulf Route." The Tehuantepec route extends from New York to Puerto Mexico, thence across the Isthmus of Tehuantepec by the Tehuantepec National Ry. Co. to Salina Cruz, and thence to Pacific coast and Hawaiian ports. All traffic via this route is carried, both on the Atlantic and Pacific sides, by the American-Hawaiian Steamship Co. Via Panama, the route comprises the Panama R. R. Steamship Line from New York to Colon, the Panama R. R. Co. across the Isthmus, and until recently, two Pacific coast services, viz., the Pacific Mail Steamship Co. and the California Atlantic Steamship Co. The Sunset-Gulf Route consists of the combined rail and water lines of the Southern Pacific Co., its steamers operating between New York and New Orleans and Galveston (the Gulf termini of the Southern Pacific), thus enabling the railroad company to compete not only with other transcontinental railroads, but with the several inter-coastal water routes.

While the rates of the Sunset-Gulf Route are the same as the all-rail charges, the rates on the two Isthmian routes are from 20 to 60 per cent below the transcontinental railway tariffs. Fixed differentials, however, do not exist, the water rates being made sufficiently lower than the rail charges to obtain a sufficient volume of desirable freight. A comparison of the Panama Line's rates with those of the American-Hawaiian Line shows them to be the same

[12] For a detailed discussion see pp. 357–365 of the *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade.*

for about one-third of the articles enumerated, while for the balance the Panama rates slightly exceed the Tehuantepec rates, and vice versa.

At the time of the committee's investigation the Panama R. R. Co. had a traffic arrangement with the Pacific Mail and California-Atlantic Lines for the exchange of freight, and the Pacific Mail regularly advised the Panama R. R. Co. whenever it agreed with the California-Atlantic Line to put into effect certain changes in rates from San Francisco to New York. The American-Hawaiian Line, however, is not a party directly or indirectly to any understanding with either the Panama R. R. Co. or its two connecting carriers, although Mr. R. P. Schwerin, vice-president and general manager of the Pacific Mail, testified that the American-Hawaiian Line was maintaining rates with the other lines.

*Inland Rivers and Canals* —As contrasted with the great increase of traffic in the coastwise and Great Lakes trade, traffic on this country's inland rivers and canals has decreased both relatively and abso'utely. Most of the canals have long since passed under the control of competing railroads, with the result that the railroads almost invariably abandoned or failed to maintain the same properly, or raised the tolls so high as to preclude their use. Many of the canals, however, owing to their antiquated character, would, in all likelihood have ceased to exist because of inability to meet the legitimate competition of the railroads. Even the Erie Canal is dominated to such an extent by the railroads, that the movement of through freight originating outside of the state of New York via this route has almost reached the vanishing point, the railroads owning all the through lake lines and controlling practically all the terminal facilities at both ends of the canal as well as the leading canal forwarding agencies and boat owners. Much the same situation also exists on the country's leading rivers. Not only has transportation on these waterways declined because of the natural extension and legitimate competition of the railroads, but as pointed out elsewhere:[13]

> There is ample evidence to show that the railroads have successfully opposed the maintenance and development of river and canal traffic by a variety of effective methods, mainly by acquiring competitive water lines and canals, by obtaining control of the terminal facilities, by the use of rebates, or by the

[13] *Ibid.*, pp. 406–407.

undercutting of rates. Aside from the acquisition of competing lines, the undercutting of rates seems to have been the favorite method adopted by railroads to eliminate water competitors. Since the railroads reach all sections of the interior, and the inland navigation lines are restricted to their water course, they can easily control so large a proportion of the total freight as to leave the water lines insufficient freight to maintain proper terminals and an efficient service.

## CONCLUSIONS

Having outlined briefly the relations between steamship lines operating on all the important routes of our foreign and domestic commerce, we may next summarize the conclusions which may be drawn from a study of agreements and other affiliations considered collectively. Six leading conclusions suggest themselves, namely:

(1) The existence of coöperative arrangements for the elimination of unrestrained competition in rates between steamship lines engaging in the American foreign trade may be said to be well nigh universal. In fact, foreign lines frankly contend that such coöperative methods are absolutely essential in ocean transportation if ship owners are to secure a dependable return on their investment sufficiently large to provide for the proper development of the trade and the efficient handling of the traffic, and if shippers are to enjoy an ample, frequent and regular service at stable rates and be protected against secret arrangements with competitors. The few instances where two or more lines serve the same route, and seem not to operate under written or oral agreements for the regulation of the trade, are exceptions and not the rule. But in nearly every such instance one line in the trade was found to be sufficiently powerful to dominate the others and, without effecting any definite understanding, secure the desired condition in rates. In practically every case the few small competitors are allowed to operate by the dominant carrier without opposition, so long as they charge the same rates or observe a certain differential. For these smaller lines to start a rate war with the dominant carrier would mean their speedy absorption or elimination. In some instances, also, the powerful line may not, especially for legal reasons, have seen fit to sign an agreement or to become a member of a conference. Yet in nearly every such case the non-conference line was found to work in friendly coöperation with the conference lines as regards rates. A few instances were even found where an important line deliberately withdrew from the

conference, and yet the conference line representatives testified that they kept the non-conference line posted as to the rates they were charging, although under no obligation to do so, that the non-conference line maintained these rates, and that the relations between it and the combination lines remained as cordial as they were when the line belonged to the conference.

(2) An analysis of the numerous agreements and understandings between carriers in the foreign trade shows that they differ greatly in their details and that in most instances they have been adapted to meet the needs of the particular trades to which they apply, or the special requirements of the lines which are parties to the arrangements.[14] Broadly speaking, the various agreements and understandings may be classified as follows:

(a) *Rate agreements, which may be further divided into fixed rate agreements, minimum rate agreements, and differential rate agreements.* —Fixed rate agreements[15] aim to have the lines maintain definitely fixed rates as prescribed in the agreement or in the tariffs agreed upon, all changes in such rates to be made only by mutual consent. Sometimes steamers are allowed to accept certain heavy freight, not exceeding a certain designated total, at less than the prescribed rates. Minimum rate understandings[16] in the freight traffic usually provide that the lines cannot, for a certain period of time (usually thirty to sixty days) and as regards a designated list of articles, take freight (except certain designated bulk articles) at rates below an agreed minimum. Any line, however, can serve notice that at the end of the designated period it will change these rates. Differential rate

[14] For a detailed classification of agreements and conference arrangements see pp. 281–293 of the *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade.* It should be noted that many of the agreements represent a combination of the various kinds of agreements referred to, i.e., agreements may combine the features of pooling earnings, fixing rates, granting deferred rebates, regulating sailings, etc. In a considerable number of instances agreements are also effected between groups of conference lines.

[15] Illustrated by the N. D. L. V. Freight Agreement, the Baltic Pool Agreements, the Mediterranean Freight Agreement, and the agreements or understandings governing the lines operating from New York to Australia; New York to South, East and West Africa; New York to Asia via Suez and return; and Asia to American Pacific coast ports.

[16] Illustrated chiefly in the eastbound and westbound freight traffic between American north Atlantic ports and the United Kingdom, and in the eastbound trade from New York to Mediterranean ports.

agreements[17] aim to permit a line operating at a disadvantage as compared with the other party to the agreement, either because of an indirect route or a slower or otherwise poorer service, to obtain a share of the traffic at rates which are a stipulated percentage under the rates of its superior competitor.

(b) *Agreements which apportion the traffic by allotting the ports of sailing.*—Numerous such agreements were found to exist but space permits of reference only to a few. Thus the N. D. L. V. agreement allots certain European ports to each of the four signatories thereto and stipulates that "vessels in the trade with the United States shall not call either outward or inward at any home or adjacent port from or to which the vessels of any of the four lines are already sailing." Other instances are the agreement between the Hamburg-American Line and the North German Lloyd whereby each reserves to the other, respectively, the ports of Hamburg and Bremen as regards sailings from American ports north of Savannah; the arrangement between the Russian East Asiatic Line and the Holland-American Line with reference to Rotterdam, the first line expressing its intention to operate to Russian ports only; and the agreement between the Royal Mail Steam Packet Co. and the Hamburg-American Line whereby the first company agrees not to extend its American service to Haitian ports and Santa Marta.

(c) *Agreements apportioning the traffic between the lines by regulating or restricting the number of sailings.*—Nearly all agreements, besides regulating rates, aim to regulate sailings in one form or another. Usually each line is allotted a certain number of sailings, these to be distributed as nearly as possible at regular intervals throughout the year. The order of sailing is mutually arranged between the lines, and in some instances additional sailings can be admitted only by the consent of a majority or two-thirds of the signatories, based on their respective number of sailings.

(d) *Agreements limiting the volume of freight which certain lines may carry.*—Such arrangements are comparatively few, and the oral understanding between the White Star Line (the most important

[17] Illustrated by the agreement between the Royal Dutch West India Mail Line and the Red "D" Line in the trade between New York and Venezuelan ports.

[18] *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade*, pp. 288–289.

indirect carrier between New York and Australia) and the three direct lines operating from New York to Australia may be cited as an example. The arrangement, it will be recalled, provides that the measurement cargo carried by the White Star Line from New York via Liverpool for Australia shall not exceed one-fourth of the aggregate measurement cargo taken by all four lines.

(e) *Agreements providing for the pooling of all or a portion of the freight money collected.*—Only brief reference need be made to this type of agreement since the subject is discussed in another article in this volume. Usually such pooling arrangements provide, after deducting certain payments to meet the cost of operating the steamers, for the division of earnings in certain agreed proportions among the lines which are parties to the agreement. Sometimes such agreements are entered into by two groups of lines, each group receiving a certain percentage of the total freight carried by all the lines. In other instances the several lines each receive a certain percentage of the earnings, and only the balance is divided between the signatories.

(f) *Agreements providing for the payment of deferred rebates.*—This type of agreement allows to shippers, who agree to employ exclusively the steamers of the conference lines in a given trade, a refund of a certain percentage (usually 5 or 10 per cent but sometimes as high as 20 per cent) of their freight payments during a certain stipulated period, usually every six or twelve months. But while the rebate is computed for these periods it is not paid until after a certain number of months (usually three or six months) following the period for which it is computed, and only on the condition that during the entire time, including both the period for which the rebate was computed as well as the time of deferment, the shipper has given his *exclusive* support to the conference lines. Such rebates are allowed in the import trade of the United States in a very large number of instances, especially in long-distance trades, such as those from Oriental and South American ports. Although various conferences have in recent years discontinued the system, the facts presented to the committee show that this method has proved one of the most effective devices for the control of the trade. Since the time of payment of the rebates follows the period for which they are computed, the shipper, if he desires to obtain the same (sometimes reaching large proportions) is kept under constant obligation to the

conference lines and is prevented from patronizing any other service since that act would mean the forfeiture of all accumulated rebates. The rebate systems now in use, it may be added, are open equally to all shippers who agree to give exclusive patronage, and are granted without discrimination as regards the size of individual or total shipments.

(3) There has been a marked tendency in recent years for various conference lines to discontinue the use of deferred rebate systems. Moreover, such rebates apply in nearly all cases to the American import trade, only three instances having been found by the committee where such rebates are granted in the export traffic from American ports. As stated in the report to the committee:[19]

> With reference to the American export trade it seems that the lines are laboring under the assumption that deferred rebates are illegal; and in some cases where such rebates formerly existed they have been abandoned and where their adoption has been taken under consideration, a decision was reached not to establish the same. In the import trade, on the contrary, the lines appear to go on the theory that this country has no jurisdiction over the matter, and that such rebates may be freely granted if the arrangement is made abroad and if the rebates are paid at a foreign port. But in this connection it should be noted that the deferred rebate system, although applied only to the import traffic is, nevertheless, a very effective device for the control of the trade, since to make the trade profitable an independent line must have cargo in both directions.

(4) Where written or oral agreements govern the rates and methods of the lines, the terms thereof have generally been guarded with the utmost secrecy. In fact, one of the chief objections of many shippers to steamship conferences and agreements as now conducted is that they are secret in most instances and that shippers therefore have no means of knowing whether the contentions of the lines for such agreements are true or not. Although some lines engaged in the foreign commerce showed a very commendable attitude in frankly offering to submit their agreements to the Committee on the Merchant Marine and Fisheries during its investigation, it is noteworthy that only 88 out of 208 foreign lines saw fit to respond at all to the committee's request for information. A considerable number of the lines objected to any publicity being given to their agreements by the committee, chiefly on the ground that such publicity would enable other lines to become acquainted with their business methods. In the great majority of cases, as was shown by the testi-

[19] *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade*, pp. 288-289.

mony before the committee, the agreements were in the possession of only the foreign principals of the lines, most American representatives of the lines expressing a mere knowledge of their existence and an entire ignorance of their provisions. So prevalent was the spirit of secrecy surrounding such agreements and so general the objections of shippers to such secrecy that the committee saw fit to report to Congress that all carriers by water should be required to file for approval with the Interstate Commerce Commission a true copy, or if oral, a true and complete memorandum, of every agreement, understanding, conference or other arrangement to which they are parties or to which they conform in whole or in part.

(5) Not only are practically all the conference relations between lines in the domestic trade verbal in character, but a decided tendency toward oral understandings, as distinguished from written agreements, has also manifested itself in the foreign trade. About one-half of the coöperative arrangements in the foreign trade are oral in character. Many agreements were of an oral nature from their inception, while in several instances written agreements were upon their termination renewed in the form of oral understandings, the steamship line representatives, however, admitting that the lines continued to follow the same rates and conditions which were previously observed under the written agreements. Witnesses before the committee repeatedly drew the distinction between formal written agreements and oral or tacit understandings, and seemed to regard oral understandings as "safer" than written agreements. The effectiveness of oral agreements, however, was generally admitted to be as dependable as that of written agreements. As stated in my report in this connection:[20]

While not involving as strong a moral obligation as written agreements, the evidence shows that for all practical purposes oral arrangements are quite as effective. Judging from the manner in which the lines observe the same, the existing oral understandings give unmistakable evidence of the high order of integrity prevailing in modern business, and justify fully the phrase "gentlemen's agreements." Written agreements seem to have accomplished their purpose in many trades and are apparently no longer needed. The lines in some instances need not even meet in conference; they may avoid every appearance and every act which would seem to show the existence of an agreement or under-

[20] *Ibid.*, p. 294.

standing; and yet operate in the same spirit of harmony that would prevail if a written agreement existed. There is still friendly rivalry in procuring business, but this business is secured at not less than certain understood rates. Again, in nearly all of the few trades where agreements or understandings have been denied by all the interested lines, a remarkable uniformity in rates seems to exist and not a trace of a rate war can be found. The situation has been explained to the committee as one of "following the leader," the dominant carrier fixing the rates and the less important lines adopting those rates, they being allowed to exist in the trade without having an effective fight waged against them, as long as they conform to the rates and conditions established by the dominant carrier.

(6) Unlike the practice in the foreign trade, definite agreements to charge certain rates, to divide territory or regulate sailings, to pool traffic, to impose deferred rebate stipulations, etc., are very few in the domestic traffic. Chiefly because of their probable illegality under the anti-trust laws such agreements have been carefully avoided. Yet the presence of any real competition between the lines in rates is quite as difficult to find in this trade as in the foreign trade. The desired elimination of objectionable competition has been accomplished in many other ways than through the effecting of definite agreements which may not stand the test of legality. Some twenty-eight methods of controlling competition between domestic carriers by water have been referred to (see Appendix II of this volume) and most of them relate to control through (1) the acquisition of water lines by railroads or by other carriers by water, (2) the control by purchase or otherwise of accessories to the lines, and (3) the throttling of independent competitors by various special practices which make it impossible for them to secure business on advantageous terms. Where one method would not accomplish the elimination of a weak competitor another could be easily substituted; and in general one is warranted in saying that the methods of control used by domestic carriers have been quite as effective in eliminating competition in rates, if not more so, than any of the agreements prevailing in the foreign trade.

Conference arrangements in the foreign trade are binding on the members. In the domestic trade, on the contrary, traffic associations and conferences participated in by water carriers do not definitely bind the lines, i.e., there is no express agreement to observe the rates. One of the most noticeable features of the committee's investigation was the painstaking and emphatic manner in which

the representatives of domestic lines reported to the committee that their affiliation with existing traffic associations or conferences is simply for the purpose of discussion and interchange of information and opinions on matters of mutual interest, and that their rights of separate and independent action are in no way restricted. Yet the testimony before the committee showed that the rates and divisions of rates are determined at these conferences in such a manner as to cause no discrimination against any of the members. It is also noteworthy that in a number of trades where not a trace of a rate war could be found, the several lines operating on the route reported under oath that they have no understanding or working arrangement whatsoever with any of the other lines, except that each line of its own volition generally notifies the other lines of changes in its rates and receives similar notification from them. Each line may then do as it pleases. Such arrangements are truly "gentlemen's understandings," and one is prompted to ask how long it will be before definite agreements, whether written or oral, will no longer be needed.

[NOTE. In addition to the *Report on Steamship Agreements and Affiliations in the American Foreign and Domestic Trade*, to which reference has been made repeatedly in this article, the readers attention is also called to volumes I and II of the "Proceedings of the Committee on the Merchant Marine and Fisheries in the Investigation of Shipping Combinations under House Resolution 587," and volume III of the same "Proceedings" entitled "Special Diplomatic and Consular Reports Dealing with Methods and Practices of Steamship Lines Engaged in the Foreign Carrying Trade of the United States." Volumes I and II of the Committees "Proceedings" contain the hearings before the Committee during its investigation.]